UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL

Distr.
LIMITED

E/ECA/PAMM/PS/82/10
22 November 1982
Original: ENGLISH

ECONOMIC COMMISSION FOR AFRICA

ECA/OAU Regional Conference on the
Role of the Public Sector in National
and Regional Development in the Context
of the Implementation of the Lagos Plan
of Action

Addis Ababa, Ethiopia, 22-27 November 1982

PROMOTING REGIONAL CO-OPERATION THROUGH JOINT VENTURES WITH PUBLIC ENTERPRISES: THE NIGERIAN EXPERIENCE

by

DR. UDO UDO-AKA
Centre for Management Development
Nigeria

LC/NAIROBI

Introduction

Like most developing countries, Nigeria uses public enterprise as a tool of public intervention in the development process. As a machinery for stimulating and accelerating national development, public enterprises are crucial in Nigeria's quest for national economic independence and self-reliance.

The 1979 Constitution of the Federal Republic of Nigeria prescribes for the country, a mixed economy in which verile public sector co-exists with an increasingly dynamic private sector. There is no controversy about the role of the public sector in the economic development of the Country. The lingering controversy or concern is on the effective performance of public enterprises; this, however is a global concern.

In the face of increased global economic interdependence, joint ventures play a major role in international resource flows. Such resources as capital, goods, skills and technology flow from countries where they exist in abundance to countries where they are in very short supply. The flow of these resources through joint ventures generally follow the basic principles of international trade.

Nigeria has had a long history of commercial contact with industrialized countries. Since her achievement of political independence, Nigeria adopted a strategy of industrialisation through the instrumentality of foreign investment. Concerned, like most developing countries, about the dangers to her sovereignty, of foreign control of her economy, Nigeria adopted a strategy of moving gradually through a continum of joint venture activities as follows:[1]

- first by participating in new ventures with foreign investors;
- later by partially nationalising some sectors and leaving others untouched;
- finally, at least for the moment, insisting on majority equity participation in most business ventures undertaken by foreign investors.

The purpose of this paper is to discuss the experience of Nigeria in the use of joint ventures with public enterprises to promote co-operation among the various States in the country, and between her and other countries particularly in Africa. It focuses on, among other things, planned and on-going joint ventures, and the management problems affecting the performance of joint venture enterprises.

The meaning of a joint venture varies according to the context in which the term is used. The term may be used to describe the following:

- a partnership between enterprises of the same or different nationalities carrying out a project in a country other than their own;
- an arrangement with equity shared between foreign and local owners, where local owners may be:

(i) one or a small number of private partners;

(ii) a large number of shareholders;

(iii) a government agency or parastatals.

The basic ingredient of a joint venture is the mutuality of interest in common economic activity where interested parties pool their resources to achieve their mutual objectives.

JOINT VENTURE AS A NATIONAL STRATEGY

Concerned about the control of her economy by foreign investors, Nigeria adopted a deliberate policy of promoting local participation in all aspects of the economy. The indigenisation of ownership, management and control of business has become a major national aspiration and development strategy. Under this policy, certain economic activities (mostly services and elementary manufacturing) were reserved exclusively for local investors. The second group of

[1] Udo-Udo-Aka, "Government policies Towards Joint Ventures for Promoting Economic Development" in V.V. Ramanadham, ed. Joint Ventures and Public Enterprises in Developing Countries, Ljubljana, Yugoslavia, 1980, pp.85-98

economic activities required a minimum of 60 per cent local equity participation. The third group (mostly high technology and capital intensive) required a minimum local equity participation of 40 per cent.

In the Nigerian situation, the policy sought to indigenise existing business enterprises on the one hand and promote competitive stimulus for the establishment of new industries by local entrepreneurs. A machinery was established for facilitating the transfer of ownership from former foreign owners to indigenous investors. With the implementation of this policy, all foreign investments in Nigeria are joint ventures. All State governments in the country are portfolio investors in the major enterprises affected by this policy. The implementation of the Nigerian Enterprises Promotion (popularly called the Indigenisation) Act has brought with it an unprecedented boom in joint venture activities in both the private and public sectors of the economy.

JOINT VENTURES AMONG LOCAL PUBLIC ENTERPRISES

As a multi-ethnic and multi-state society, Nigeria has used joint ventures among local public enterprises to promote intra-state co-operation and enhance national integration. The various governments (Federal and State) of the Federation join in the establishment of major enterprises directly or through their agencies. Such agencies include:

1. Commercial and co-operative Banks owned jointly by:
   - Federal and State Governments as well as private local investors e.g.
     - National Bank of Nigeria
     - African Continental Bank
   - A number of State Governments e.g.
     - Co-operative Bank of Eastern Nigeria
     - Co-operative Bank of Western Nigeria
2. Development Banks, owned by the Federal Government e.g.
   - Nigerian Industrial Development Bank (NIDB)
   - Nigerian Bank for Commerce and Industry (NBCI)

   Both public enterprises go into joint ventures with other public enterprises and with private investors.
3. Holding Companies owned by a group of States e.g.
   - New Nigeria Development Company (NNDC) owned by the ten Northern States;
   - O'dua Investment Company Limited, owned by Lagos, Oyo, Ondo States.
4. Holding or Investment Companies owned by individual States, e.g.

. Investment Trust Co. Ltd., Calabar

. Central Investment Co. Ltd., Enugu

. Kaduna Investment Co. Ltd., Kaduna

. Sokoto Investment Co. Ltd., Sokoto

. Plateau Investment Co. Ltd., Jos.

With the instrumentality of these public enterprises, a variety of joint venture industries have been established around the country.

JOINT VENTURES WITH FOREIGN PARTNERS

As a host country Nigeria has engaged in a number of joint ventures on bilateral and multi-lateral basis through the vehicle of public enterprises. Such projects cover all imaginable areas of economic activities including:

- Banking and Finance
- Insurance
- Textile manufacturing
- Automobile assemblying
- Road construction
- Beer brewing
- Soft drink bottling
- Food production and processing
- Manufacturing of farm equipment and building materials.

Consistent with her foreign policy posture, Nigeria has attracted joint venture partners from friendly countries regardless of their economic system and political ideologies. The distribution of Nigeria's joint venture partners is as follows:

United Kingdom	41%
Other Western Europe	23%
United States of America	10%
India and Australia	6%
Other Countries	20%
	100%

The distribution of the sources of joint venture partners reflects the historical trade pattern and colonial relationship.

MANAGEMENT OF JOINT VENTURES

At the inception of a joint venture, the parties concerned would agree on:

- how much capital would be required;
- how the required capital would be raised subject to Federal Government approval;
- the type of technology needed;
- the calibre of management required;
- how long it would take to train Nigerians adequately to hold the top posts in the enterprise according to stated policy of government

What the parties to a joint venture agree to, are usually summarised in two types of documents, namely:

- Management service Agreement
- Technical Agreement

Generally, the foreign partner supplies the Chief executive, and other key management and technical personnel to ensure a successful take off of the enterprise. To comply with the Nigerianisation policy of government, the enterprise employs qualified or qualifiable Nigerians to understudy each of the key expatriate personnel with a view to taking over from after the stipulated time. The moratorium period for training of Nigerians to manage the enterprise may be extended if mutually agreed and if the foreign partner can convince government that indigenous staff cannot handle the business. The period can also be reduced or terminated by government if it has cause to believe that:

- the Nigerians being trained have acquired the necessary expertise to run the business
- the foreign management was not training the Nigerians or deliberately slowing down the training
- the management does not pursue the stated goals of government

Since the parties to a joint venture usually have considerable stake in the venture neither would deliberately breach the terms of the contract and ruin the relationship between the participating states or countries.

In public enterprise joint ventures, Nigerians hold the chief executive, finance, marketing and administrative positions and the foreign partners provide the technical personnel. On the whole, Nigerians manage about 30 per cent of the major joint venture enterprises in the country.

Since Nigeria enters into joint venture activities with countries from different parts of the world, with different cultures, economic system and political philosophy, the environment of the foreign partner is bound to affect the management approaches and performance of the joint venture. The management models and approaches developed and practised in Western industrialised economies are not culture free. This is the central issue in the long standing and

unsettled academic debate on the universal applicability of management models.

The differences in the concept of enterprise management in the planned economy of Eastern Europe, for instance, can affect the management performance of joint venture enterprises from those countries. This problem is observed (though not studied seriously) in two separate joint venture companies in Nigeria, namely:

Seromwood Industries Limited in Calabar

Niromwood Industries Limited in Ondo

Both are public enterprise joint venture between Nigeria and Romania. They are massive integrated wood complexes establish to exploit the rich forest resources in their respective areas. Both have difficulty really taking off. The quality of their products cannot compete with even small private furniture company products. In the Nigerian management context, the marketing philosophy of the two firms is faulty. These companies would like all government agencies and schools to depend on them for all their furniture and other wood-related requirements. They do not see why government as the shareholder should patronise competitors. But Nigeria is a free enterprise system where competition is an article of faith. The point being emphasised here is that the environment from which a joint venture partner originates affects the overall operational performance of joint venture enterprises.

JOINT VENTURES: A TOOL FOR REGIONAL CO-OPERATION

Regional economic integration has long been recognised as indispensable in the pursuit of economic and political strength. In view of the fact that many African countries are too small to create viable industrial economies within the confines of their geographical areas, and knowing the high cost of establishing modern industrial enterprises relative to the size of local markets, African countries have grappled with economic co-operation since independence. It is widely accepted that co-operation would facilitate pooling of resources across national boundaries and improve the prospect of economic viability. With this awareness, Nigeria has participated in all initiatives aimed at promoting economic co-operation and integration in the continent since independence.

To demonstrate her commitment in this field of co-operation Nigeria has established a number of Joint Commissions with neighbouring countries, e.g.

- Nigeria/Niger Joint Commission for Co-operation
- River Niger Basic Commission
- Lake Chad Basin Commission

Economic co-operation agreements have also been signed with Cameroun, Ghana, Benin, Togo, Senegal, etc.

Nigeria has initiated a major programme of co-operation with her neighbours in the provision of infrastructure essential for the development of economies. The infrastructure includes roads, energy and communication. Nigeria has constructed roads linking neighbouring towns in the Republic of Benin, and has

assisted that country to complete its own portion of the Trans-African road.

In the past, telecommunication between African countries particularly in the West African sub-region went through London and Paris. With the effort of a major public enterprise - Nigerian External Telecommunication (NET) telephone links have now been established with some West African Countries. NET is also involved in up-grading of the Nigeria-Benin VHF-link and expansion of VHF-radio links to OAU member countries.

Nigeria's National Electric Power Authority (NEPA) supplies 30 megawatts of electricity to Niger Republic and is currently considering a request to increase the supply to 40 megawatts. Nigeria and Niger Republic have recently agreed to jointly construct the Kanji Dam on the upper part of River Niger to promote the mutual interest of both countries. The two countries have been working on the TECHILL Uranium Project and have agreed to embark on other joint ventures for:

- development and exploration of phosphate deposits in the Republic of Niger to supply raw materials for the fertilizer industry in Nigeria
- processing and smelting of tin from the Niger Republic by Maker Smelting Company in Jos, Nigeria is under consideration.

Nigeria, using the tool of Public enterprises, has invested in a number of joint venture projects in other African countries. Such projects include:

- Cement Factory at Onigholo in the Republic of Benin where Nigeria has 30 per cent equity;
- Integrated sugar project at Save in the Republic of Benin;
- Fertilizer project in Senegal;
- Bauxite processing project in the Republic of Guinea;
- Aluminum Smelter Plant to be supplied alumnia from Dabola in the Republic of Guinea and Kibi in Ghana to produce aluminum ingots, rods, billets, foils, etc.
- Copper mining project in Zambia

Many of these joint venture projects are under construction and other are still at the planning stages. In all, commitment has been made preliminary work has been done toward their implementation. With her joint venture experience within her own territory, Nigeria should be able to bring about successful and mutually beneficial joint ventures with other African countries.

CONCLUSION

In this brief discussion, the role of and the rationale for public enterprises in Nigeria's development have been highlighted. Nigeria's experience in the use of joint ventures to promote local participation and industrialisation has been examined. There is a general awareness of the need for the importance of regional economic co-operation and the role of joint ventures in facilitating its realisation.

In order to realise the noble objective of promoting regional co-operation through joint public enterprise ventures there is need for a free flow of information within the continent on various aspects of economic and social development

in the different countries. There is need for exchange of information on feasibility studies on various projects in member states. There is need for sharing expertise through participation in consultancy and manpower development programmes. In the final analysis, the full benefits of joint ventures can only be achieved when the ventures are managed jointly by citizens of the participating countries who have stake in the survival and growth of the enterprises.

Udo Udo-Aka
November 1982.

UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL

Distr.
LIMITED

E/ECA/PAMM/PS/82/11
24 November 1982

Original: ENGLISH

ECA/OAU Regional Conference on the
Role of the Public Sector in National
and Regional Development in the Context
of the Implementation of the Lagos Plan
of Action

Addis Ababa, Ethiopia, 22-27 November 1982

MANAGEMENT AND CONTROL OF PUBLIC ENTERPRISES IN EGYPT

by
Maurice Wassily
Information Center for Public Enterprises (Cairo, Egypt)

LC/NAIROBI

Introduction

The public business sector in Egypt nowadays, consists of the economic units, either in the form of a general organization or in the form of a company.

The general organization undertakes economic activity, and responsible for public utility or service. It has an identic personality. It acts its activities on economic and commercial bases. It is totally owned by government.

The public company is established to carry out an economic project according to the development plan. It should have the shape of the joint stock company. It is either owned totally by government or partially by private shareholders.

Management of General Organizations

Each organization has a board of directors, Chairman and members who are appointed by a presidential decree, according to the proposal of the competent Minister.

This board is the high authority dominating the Organization. It suggests the general policy for achieving its purposes according to the law of its establishing. It issues regulations and decisions organizing the technical, financial, and managerial affairs, regardless the government rules. It approves the annual fiscal budget, review the periodical reports, the financial position, and any other subjects.

The competent Minister must be informed with the decisions of the board for his approval and ratification.

Management of Public Companies

The administration of public companies is undertaken through several bodies. These bodies are:

1. Board of Directors

   It consists of a Chairman to be appointed by the Prime Minister, and members, one half of them to be appointed by the Prime Minister, and the other half to be elected from the workers of the company. Private shareholders are presented in the board in proportion to their equity.

2. General Assembly

   It is formed as follows:

   - The competent minister or his substitute, as Chairman;
   - A representative of the Ministry of Finance and of the Ministry of Planning, assigned by them;
   - Five of the members of the High Council of the sector chosen by itself;
   - Four of the personnel of the company;
   - Three members of specialists and experienced staff.

3. High Council of the Sector

Public companies are classified into groups, each group is called a sector. It is composed of analogous and complementary companies. Each sector has a high council. It is formed as follows:

- The competent minister, Chairman;
- The Chairman of the sector companies;
- A number not less than three of experts to be appointed by the Prime Minister;
- Representatives of the Ministry of Finance and the Ministry of Planning.

4. Technical Secretariat

Each high council has technical secretariat consists of a minimum number of experts and persons. It communicates the recommendations and resolutions of the high council to the authorities concerned. It supplies the ministers and the organis of the state with the information they demand on the sector companies.

Responsibilities

The responsibilities of those bodies are as follows:

Board of Directors

It has all the power requisite for exercising the activities envisaged by the object of the company, and in particular:

(a) elaborating the plan of the company in consistance with the general plan;
(b) laying down the executive processes;
(c) elaborating the policies ensuring and promoting the productivity of workers;
(d) developing and managing the financial resources;
(e) affecting the replacements and renewals of fixed assets;
(f) execution of the investment projects assigned to the company in the fixed time;
(g) elaboration of a system of training workers;
(h) laying down all internal regulations, systems and rules.

General Assembly

It is concerned with the following:

(a) approval of the Balance Sheet, the profit and loss account, and distribution of profits;
(b) examination of the report of the Board on the activities of the company;
(c) approval of the general plan of the company;
(d) modification of the statutes of the company;
(e) increasing or amending the capital;
(f) suggesting the liquidation of the company if necessary, and its amalgamation in another company or splitting it into two or more companies.

High Council

It is concerned with ensuring co-ordination and harmonization between the plans and policies of the companies. It also follows up the implementation of the objectives decided.

Control of Public Companies

From the previous brief description of the management of public companies, one can obvious that the Egyptian system tried to balance between control and independence of these companies. This statement can be clarified as follows:

1. The ministry of planning lays out the General Frame of the comprehensive plan of the state in the light of the directions issued by the Cabinet and the parliament. Each company drafts its plan expressing its targets, based on its capacity, capabilities, historical data and finally guided by the General Frame of the State Plan.

   The High Council of the sector - through the technical secretariat - reviews the plans of his companies, just to co-ordinate between them and ensure that theyachieve the policies and targets of the sector and the government. After that, the general assembly of the company discusses the plan and approves it. Finally the ministry of planning gathers the micro plans and lays out the macro plan.

   The mecanism of planning as discussed above is settled by the law. The micro plans and budgets are exercised according to a settled system using unified forms, data and well defined terms.

2. The board of directors undertakes the plan in both current activities and capital transactions. Each public company has an auditor generally a member of the Central Authority for Accounting - (a governmental body). In few cases such as in banks they have private auditors appointed by the C.A.A.

   At the end of the year the general assembly holds a meeting to discuss the following reports:

(a) The report of the board of directors about his achievements during the year and analysing the financial position and final results;

(b) the report of the auditor about the balance sheet and the profit and loss account, in the light of the Unified Accounting System;

(c) the response of the board about the remarks of the auditor;

(d) the report of performance appraisal and the follow-up of the plan. This report is unified in its forms, data, and terms.

3. The general assembly review the results of the company through a number of criteria, that are:

- achieving the targets of the physical plan for production, exports, raw materials, etc.
- developing the activities in comparison with the past years;
- improving the norms of productivity and costs;
- profitability and capital returns taking in consideration the government constraints and the unexpected circumstances.

4. The Information Center for the Public Enterprises attends the general assembly meeting for all the companies through his representatives as members of experience. So they, can expose the problems of the companies, share the discussions and propose solutions or suggestions.

At the end of the year the ICPE gathers the final results approved by the general assemblies, and lays out a report about the main indicators of the public companies during the last year annexed by full data summed up at the levels of each company, economic activity, economic sector and finally the hall sectors.

The ICPE also issues an annual report about the problems, obstacles and subjects discussed by the general assemblies accompanied with his opinions and proposals. This report is posted to the minister of finance the competent minister - to be under his right in taking action or policies.